



Financial Affairs Committee
December 1, 2000

1. Opening Business

The December 1 meeting was held in the Boardroom at the ACWA Office, 910 K Street, Sacramento. The meeting began at 9:30am.

The next Financial Affairs Committee meeting will be held on **January 17 at 1:00 pm as part of the Annual Water User's Conference to be held at the Radisson Hotel and Convention Center, Visalia, California. The meeting will be held in the Mineral King Room-B at the Radisson.**

2. Reclamation Reports.

--Update on Status of 2000 Final Accountings-Water Delivery Information. Jim Bjornsen reported that Reclamation has not yet finalized its net position statement for 1999-2000, but did have the preliminary raw numbers. He provided the following for the FAC:

<u>Irrigation</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues	\$36.5 Million	\$44.0 Million	\$44.0 Million
Costs	32.5	22.0	35.0
Deliveries	2.7 Million AF	3.4 Million AF	3.0 Million AF

<u>M&I</u>			
Revenues	\$ 9.0 Million	\$ 25.0 Million	\$14.5 Million
Costs ¹	4.0	4.0	6.0
Deliveries	350,000 AF	561,000 AF	438,000 AF

Jim said the 2000 water delivery information has been sent to the water contractors for their verification.

--Update on CVP Cost Allocation. Jim Bjornsen reported that a draft report has been completed and is being processed through the Regional Office. He could not comment on the selected alternative. He said a public meeting would be scheduled for sometime in January 2001. The report will be made available two weeks before the public meeting and will probably be posted on the Internet.

¹ Does not include interest charges.

--Status of 2002 Capital Rate Computation Process. Jim Bjornsen reported no activity by Reclamation relative to this effort at this time. He said that Reclamation would get something started after the first of the year with hopes of finalizing the process by June 2001. Ron Jacobsma commented that we should have a meeting to discuss how we should proceed so that we can start out with mutual goals and objectives and from that discussion, develop alternatives processes to meet those objectives. Larry Bauman commented that he is in the process of scheduling a meeting with Reclamation (regional and area) staff to determine the appropriate projected water delivery data to use in Schedule A-12. (This meeting has been targeted for the second week in December).

--Update on Budget Process--January 2001 Roll-up Meeting. Jim Bjornsen reported that Roger Pollock, Regional Budget Officer, would be holding a “roll-up” meeting in mid-January 2001 to conclude the 2003 Budget workshop process. He will be providing an overview of the 2003 Budget workshop process as well as a status report on the 2001 and 2002 budgets. He is working on having the future Budget activity plans identify the reimbursable and non-reimbursable amounts.

3. **JAVIS/WORKS-R Development Project—Process and Contractor Participation.** Ron expressed his concerns regarding the value of the monthly JAVIS-sponsored meetings. He reported that the last meeting consisted primarily of a light technical briefing by a number of JAVIS staff members and illustration of a few input screens. Ron said that he had hoped for more substance from the meetings in the form of the algorithms to be employed and future system capabilities. Ron and Tona Mederios suggested that we try to establish a different forum to keep the water contractors involved. Jim said that he would explore the suggestion with Mike Finnegan and get back to us.
4. **2001 Water Rate Review.** Ron handed out a letter addressed to Lester Snow, Regional Director of the Mid-Pacific Region that was signed by Jason Peltier, CVPWA Manager, and prepared by the FAC, regarding preliminary 2001 water rates for which comments were due by November 30, 2000. We gave Jim Bjornsen the original signed copy to pass on to Lester. The letter expresses our concerns regarding the 2001 water rates, the alarming rate in which Water Marketing and Storage O&M costs are escalating, and the fact that the actual Water Marketing and Storage O&M costs have been considerably less than the projected costs that have been used to calculate the rates. Reclamation has received considerably more revenues than it needed to cover Water Marketing and Storage O&M costs during the past several years. These over collections resulted in refunds to most contractors, however, due to the timing of the final accountings relative to the payments, these over collections were held by Reclamation in excess of some 18 months subsequent to when payments were first made. We also pointed out that Reclamation does not give consideration to the fact that actual contractor payment obligations should decrease as a result of water sales to “non-permanent” contractors that cover a portion of the water marketing cost component. We recommended that Reclamation reduce its water marketing estimates

by the most recent five-year average of non-permanent contractor revenues received. We also pointed out other specific concerns related to computing project use energy charges.

5. **Direct Funding Agreements.** Jim Bjornsen noted that Reclamation had evaluated the Authorities' proposal regarding an alternative fiscal agency process that would conform to legal concerns that exist with the current process. Jim noted that Reclamation was supportive of the proposal presented excepting the issue of the Authorities physically processing contractor payments. Jim stated that the recommendation has been forwarded to Reclamation management and Authority representatives would be contacted shortly to address this issue.
6. **Arroyo Pasajero Project—a new alternative.** Ron passed out a letter from Reclamation's South-Central California Area Office regarding a new alternative for the Arroyo Pasajero flooding problems. The letter was in response to questions posed by Ron earlier to Floyd Summers, Reclamation Program Coordinator. Floyd passed the questions on to Mark Anderson, California Department of Water Resources, Arroyo Pasajero project manager, who provided the response. The feasible alternatives identified in the March 1999 Draft Feasibility Report were both found to inmitigable and or unacceptable. New information led to a new alternative—called the Westside Detention Basin with Tulare Lakebed Flood Storage. The paper references a July 2000 Information Paper that details the specific reasons why the earlier alternatives were abandoned and provides details on the new alternative. Alan Thompson, East Bay MUD has agreed to find out what is going on with the Arroyo Pasajero Project, especially with regards to who will be paying the costs. He will lead a study effort, assisted by Russell Harrington, Westlands WD.